

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Pointe Aux Barques</b>	County <b>Huron</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>8/9/05</b>	Date Accountant Report Submitted to State: <b>9/7/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

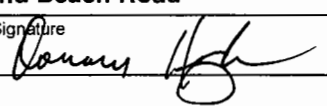
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Hyzer, Hill, Kuzak &amp; Co., P. C.</b>			
Street Address <b>1242 Sand Beach Road</b>	City <b>Bad Axe</b>	State <b>MI</b>	ZIP <b>48413</b>
Accountant Signature 		Date <b>8/26/05</b>	

**TOWNSHIP OF POINTE AUX BARQUES**

HURON COUNTY, MICHIGAN

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**ANNUAL FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

MARCH 31, 2005

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# **HYZER, HILL, KUZAK & CO., P.C.**

Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

Members of the Township Board  
Pointe Aux Barques Township  
Huron County, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Pointe Aux Barques as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township of Pointe Aux Barques' management. Our responsibility is to express opinions on these financial statements based on our audit.

We have conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets and, accordingly, a statement of general fixed assets, required by U.S. generally accepted accounting principles is not included in the financial report.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township of Pointe Aux Barques' governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Pointe Aux Barques as of March 31, 2005, or changes in its financial position for the year then ended.

The accompanying financial statements also do not include a Management's Discussion and Analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and are not a required part of the financial statements of Pointe Aux Barques Township. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Hayes, Hill, Hughes & Co P.C.*

August 9, 2005

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**Township of Pointe Aux Barques, Michigan**
**Combined Balance Sheet - All Fund Types  
March 31, 2005**

	Governmental Fund Type		Fiduciary Fund Type
	General Fund	Cemetery Special Revenue Fund	Agency Fund
<b>Assets</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 212,571	\$ 33,353	\$ 54
Receivables:			
Taxes	2,240	-	-
Due from other funds	6,558	-	-
Total assets	<u>\$ 221,369</u>	<u>\$ 33,353</u>	<u>\$ 54</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 54
Due to other funds	-	6,558	-
Total liabilities	-	6,558	54
<b>Fund Balances</b>			
Restricted	10,869	-	-
Unrestricted	210,500	26,795	-
Total fund balances	<u>221,369</u>	<u>26,795</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 221,369</u>	<u>\$ 33,353</u>	<u>\$ 54</u>

The notes to financial statements are an integral part of this statement.

# **Township of Pointe Aux Barques, Michigan**

	General Fund		
	Budget	Actual	Variance Positive (Negative)
<b>Revenue</b>			
Property taxes	\$ 75,000	\$ 83,512	\$ 8,512
State sources	1,000	1,416	416
Interest	2,200	1,741	(459)
Miscellaneous	9,000	1,611	(7,389)
Total revenue	87,200	88,280	1,080
<b>Expenditures</b>			
General government	27,020	25,346	1,674
Public safety	21,400	17,863	3,537
Public works	40,700	23,621	17,079
Total expenditures	89,120	66,830	22,290
Excess of revenue over (under) expenditures	<u>\$ (1,920)</u>	21,450	<u>\$ 23,370</u>
Fund balances, beginning of year		199,919	
Fund balances, end of year		<u>\$ 221,369</u>	

The notes to financial statements are an integral part of this statement.



**Combined Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Budget And Actual**  
**General and Special Revenue Fund Types**  
**For the Year Ended March 31, 2005**

<u>Cemetery Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$ -	\$ -	\$ -
-	-	-
-	575	575
<u>500</u>	<u>950</u>	<u>450</u>
500	1,525	1,025
-	-	-
-	-	-
<u>9,500</u>	<u>6,118</u>	<u>3,382</u>
<u>9,500</u>	<u>6,118</u>	<u>3,382</u>
<u>\$ (9,000)</u>	<u>(4,593)</u>	<u>\$ 4,407</u>
	<u>31,388</u>	
	<u>\$ 26,795</u>	

The notes to financial statements are an integral part of this statement.

**Township of Pointe Aux Barques, Michigan****Combined Statement of Revenue, Expenditures, and Changes in Fund Balances  
All Governmental Fund Types  
For the Year Ended March 31, 2005**

	<u>General Fund</u>	<u>Cemetery Special Revenue Fund</u>
<b>Revenue</b>		
Property taxes	\$ 83,512	\$ -
State sources	1,416	-
Interest	1,741	575
Miscellaneous	<u>1,611</u>	<u>950</u>
Total revenue	88,280	1,525
<b>Expenditures</b>		
General government	25,346	-
Public safety	17,863	-
Public works	<u>23,621</u>	<u>6,118</u>
Total expenditures	<u>66,830</u>	<u>6,118</u>
Excess of revenue over (under) expenditures	21,450	(4,593)
Fund balances, beginning of year	<u>199,919</u>	<u>31,388</u>
Fund balances, end of year	<u>\$ 221,369</u>	<u>\$ 26,795</u>

The notes to financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township is located in Huron County. The Township is operated under a Township Board consisting of five members. The Township provides various services to approximately 50 residents.

The accounting policies of Pointe Aux Barques Township conform to U. S. generally accepted accounting principles applicable to governmental units except for the Township not adopting the GASB No. 34 reporting format. The following is a summary of more significant policies.

***The Reporting Entity***

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" for determining the various governmental organizations to be included in the reporting entity. The Township is the primary government which has oversight responsibility and control over all activities. The Township receives funding from local and state sources and must comply with the requirements of these funding source entities. However, the Township is not included in any other governmental "reporting entity" as defined in GASB pronouncements since the Township Board members are a publicly elected governing body that has separate legal standing and is fiscally independent of other governmental entities. As such, the Board has decision-making authority, the authority to levy taxes and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Township does not include any other component units within its general purpose financial statements.

***Basis of Presentation***

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The Township's funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund. The Cemetery Special Revenue Fund accounts for revenues from sales of cemetery lots and the maintenance costs of the cemetery.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

***Basis of Accounting***

The modified accrual basis of accounting is followed in the governmental fund types. The modified accrual basis of accounting is defined as the basis of accounting under which expenditures other than accrued interest on general long-term obligations are recorded at the time liabilities are incurred and revenues are recognized when available or measurable. Modifications from the accrual basis are as follows:

1. Property taxes and other revenues that are measurable but not available for use to financial operations are recorded as deferred revenue. Other revenue is recorded when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on February 14 after which they are added to the County tax rolls.

2. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

***Cash and Investments***

Michigan Complied Laws, Section 129.91, authorizes Pointe Aux Barques Township to deposit and invest in the account of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township Board has designated several local banks for the deposit of Township funds.

The Township's deposits and investments are in accordance with statutory authority.

***Receivables***

Receivables have been recognized for all significant amounts due the Township. Valuation reserves have not been provided in that collection thereof is not considered doubtful and any uncollected amounts would be immaterial.

***Fixed Assets***

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds.

***Estimates***

The preparation of financial statements in conformity with the U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. BUDGETS AND BUDGETARY ACCOUNTING**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's clerk submits to the Township Board a proposed budget by March 31 of each year. The budget includes proposed expenditures and means of financing them.
2. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
3. Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original appropriations, which were amended.

During the year ended March 31, 2005, the Township's actual spending exceeded amounts budgeted in the following categories:

	<u>Budget</u>	<u>Actual</u>
General fund:		
Tax assessor	\$ 3,000	\$ 3,181
Insurance	9,500	9,514
Beach and parks	1,200	1,359

**3. CASH AND INVESTMENTS**

The Township's cash and cash equivalents include deposits in checking, savings certificates of deposit and money market funds as follows:

	<u>Cash Accounts</u>	<u>Investments</u>	<u>Total</u>
General Fund	\$ 155,423	\$ 57,148	\$ 212,571
Cemetery Special Revenue Fund	33,353	-	33,353
Agency Fund	<u>54</u>	<u>-</u>	<u>54</u>
 Total	 <u><u>\$ 188,830</u></u>	 <u><u>\$ 57,148</u></u>	 <u><u>\$ 245,978</u></u>

**Deposits**

At March 31, 2005, the carrying amount of the Township's deposits was \$188,830 and the bank balance was \$188,756 of which \$121,083 was covered by federal depository insurance

**Investments**

For the purposes of providing an indication of the assumed levels of risk, investments are categorized as follows:

Category 1 – Investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name.

Category 2 – Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name.

Category 3 – Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the Township's name.

	Category			Carrying Amount	Fair Value
	1	2	3		
Uncategorized					
Money Market Mutual Funds				\$ 57,148	\$ 57,148

**4. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**5. PROPERTY TAX REVENUE**

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, state education fund and school districts. All collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year, which includes the December 1st levy date. A levy of 9.2663 mills was applied to \$9,012,536 taxable value for the 2004 tax year. In addition, the Township collected the State Education Tax which was levied July 1st and due September 15<sup>th</sup>. Also, the Township collected special assessments for refuse pickup and ambulance services.

**6. FUND BALANCE RESERVES**

In 1999, the General Fund received a restricted donation of \$17,651 from a resident. The funds may be used for expenses related to a water study. As of March 31, 2005, the Township has spent \$6,782 for this purpose, leaving an unspent balance of \$10,869.

**7. RELATED PARTY TRANSACTIONS**

Maintenance services including operation of the water and sewer systems are performed for the Township by Pointe Aux Barques, Inc., a Michigan corporation. The stockholders of Pointe Aux Barques, Inc., are limited to the property owners in the Township. The total amounts paid to the Corporation for services during 2005 was \$25,617.

**8. GASB 34**

**Accounting Change** – Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* ("GASB 34"). Changes to the Township's financial statements as a result of GASB 34 do not reflect the following:

A Management's Discussion and Analysis ("MD&A") section providing analysis of the Township's overall financial position and results of operations has not been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Township Government's activities have not been provided.



## **SUPPLEMENTARY INFORMATION**

**Township of Pointe Aux Barques, Michigan**

**General Fund  
Budgetary Comparison Schedule  
For the Year Ended March 31, 2005**

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
<b>Revenue</b>				
Property taxes	\$ 75,000	\$ 75,000	\$ 83,512	\$ 8,512
State sources	1,000	1,000	1,416	416
Interest	2,200	2,200	1,741	(459)
Miscellaneous	9,000	9,000	1,611	(7,389)
<b>Total revenue</b>	<b>87,200</b>	<b>87,200</b>	<b>88,280</b>	<b>1,080</b>
<b>Expenditures</b>				
General government:				
Tax assessor	3,000	3,000	3,181	(181)
Tax processing	900	900	385	515
Dues	400	400	385	15
Election	860	860	857	3
Insurance	9,500	9,500	9,514	(14)
Beach and parks	1,200	1,200	1,359	(159)
Hall maintenance	200	200	24	176
Office	850	850	838	12
Professional fees	1,500	1,500	1,275	225
Subscriptions	150	150	130	20
Telephone	750	750	590	160
Utilities	6,800	6,800	6,772	28
Other	910	910	36	874
<b>Total general government</b>	<b>27,020</b>	<b>27,020</b>	<b>25,346</b>	<b>1,674</b>
Public safety:				
Fire contract	3,000	3,000	3,000	-
Security	18,000	18,000	14,548	3,452
Ambulance	400	400	315	85
<b>Total public safety</b>	<b>21,400</b>	<b>21,400</b>	<b>17,863</b>	<b>3,537</b>
Public works:				
Sanitation	8,000	8,000	7,333	667
Sewer	3,700	3,700	3,649	51
Water	29,000	29,000	12,639	16,361
<b>Total public works</b>	<b>40,700</b>	<b>40,700</b>	<b>23,621</b>	<b>17,079</b>
<b>Total expenditures</b>	<b>89,120</b>	<b>89,120</b>	<b>66,830</b>	<b>22,290</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (1,920)</b>	<b>\$ (1,920)</b>	<b>\$ 21,450</b>	<b>\$ 23,370</b>

**Township of Pointe Aux Barques, Michigan****Special Revenue Cemetery Fund  
Budgetary Comparison Schedule  
For the Year Ended March 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenue</b>				
Sale of lots	\$ 500	\$ 500	\$ 950	\$ 450
Interest	<u>-</u>	<u>-</u>	<u>575</u>	<u>575</u>
Total revenues	500	500	1,525	1,025
<b>Expenditures</b>				
Maintenance	<u>9,500</u>	<u>9,500</u>	<u>6,118</u>	<u>3,382</u>
Excess of revenues under expenditures	<u>\$ (9,000)</u>	<u>\$ (9,000)</u>	<u>\$ (4,593)</u>	<u>\$ 4,407</u>

**Township of Pointe Aux Barques, Michigan****Tax Collection Agency Fund  
Statement of Changes in Assets and Liabilities  
March 31, 2005**

Current Tax Collection Fund				
	Balance March 31, 2004	Additions	Deductions	Balance March 31, 2005
<b>Assets</b>				
Cash	\$ 68	\$ 412,246	\$ 412,260	\$ 54
<b>Liabilities</b>				
Accounts payable	\$ 68	\$ 4,506	\$ 4,520	\$ 54
Due to Township	-	82,076	82,076	-
Due to County	-	108,672	108,672	-
Due to Intermediate Schools	-	41,663	41,663	-
Due to Schools	-	175,329	175,329	-
Total liabilities	\$ 68	\$ 412,246	\$ 412,260	\$ 54

**HYZER, HILL, KUZAK & CO., P.C.**

Certified Public Accountants

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Phone: (989) 269-9541 • FAX: (989) 269-6777

Bruce Hill

Donald Kuzak

Michael Doerr

August 9, 2005

Pointe Aux Barques Township Board

1846 Bayview

Port Austin, MI 48467

Dear Board Members:

In planning and performing our audit of the financial statements of the Township of Pointe Aux Barques for the year ended March 31, 2005, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This report does not affect our report dated August 9, 2005 on the financial statements of the Township of Pointe Aux Barques.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Hyzer, Hill, Kuzak & Co., P. C.

### Restricted Funds

The Township is holding restricted funds donated by Helen Gilbride. These funds are restricted for water projects. The Board meetings should clearly identify which expenditures are chargeable to these funds.

### Reimbursement

The General Fund operating account has paid Cemetery Fund expenses for several years. The amount owed to the General Fund, according to our records at March 31, 2005, is \$6,557.58. The Cemetery account should reimburse the general account for these charges.